

Message Text

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71

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 PA-04 PRS-01 USIA-15

SCI-06 INT-08 DRC-01 /132 W
----- 005583

R 141953Z DEC 73

FM AMEMBASSY NASSAU

TO SECSTATE WASHDC 5025

UNCLAS NASSAU 1940

E. O. 11652: N/A

TAGS: ECRP BF

SUBJ: 1974 BAHAMAS BUDGET

REF: CERP 0200, NASSAU 1924

1. THE 1974 BAHAMAS BUDGET WAS SUBMITTED ON DECEMBER 12 TO THE HOUSE OF ASSEMBLY AND WILL BE DEBATED AT THE SESSION ON DECEMBER 19. THERE SHOULD BE NO PROBLEM IN ITS PASSAGE, THOUGH THE OPPOSITION WILL UNDOUBTEDLY FIND SOMETHING IN IT ON WHICH TO FAULT THE GOVERNMENT.

2. EXPENDITURES: THE RECURRENT EXPENDITURES FOR THE YEAR WILL BE, AS STATED BY FINANCE MINISTER HANNA, \$116 MILLION. THE CONFUSION OVER THE FIGURES AROSE BECAUSE THE BUDGET AS SUBMITTED DOES NOT INCLUDE THE COST OF SERVICING THE PUBLIC DEBT OR PENSIONS. PREVIOUS LEGISLATION PROVIDED FOR PAYMENT OF THESE TWO ITEMS AND THUS IT WAS CONSIDERED UNNECESSARY TO RESUBMIT THEM. PUBLIC DEBT SERVICE FOR 1974 COMES TO \$10,512,362. THE RECURRENT EXPENDITURES AS SUBMITTED (WITHOUT THE TWO ITEMS) TOTALS \$103,267,987. ALLOWING FOR INFLATION AND THE FEW ITEMS RESULTING FROM INDEPENDENCE (SUCH AS OVERSEAS MISSIONS), THE RECURRENT EXPENDITURES REMAIN FAIRLY CLOSE TO THOSE OF LAST YEAR. EDUCATION AND HEALTH CONTINUE

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TO RECEIVE THE LARGEST SHARES.

3. THE CAPITAL EXPENDITURES HAVE ALMOST DOUBLED SINCE LAST YEAR TO \$24,165,972. MORE THAN HALF OF THIS AMOUNT IS FOR NEW CONSTRUCTION (SCHOOLS, LOW-COST HOUSING, HOSPITAL EXTENSION ETC.) WHICH SHOULD PROVIDE SOME SLIGHT STIMULUS FOR THE SAGGING CONSTRUCTION INDUSTRY.

4. REVENUES: ESTIMATED REVENUES ARE UP OVER \$8.5 MILLION FROM 1973 TO \$122,536,300. IF THE EMBASSY'S ASSESSMENT OF THE EFFECT OF THE FUEL CRISIS ON TOURISM AND THE BAHAMIAN ECONOMY IN GENERAL IS CORRECT, THIS FIGURE SHOULD PROVE OVER OPTIMISTIC. THE GCOB RECOGNIZES AT LEAST A NO-GROWTH FACTOR IN TOURISM, AS THOSE REVENUE ITEMS EARNED DIRECTLY FROM TOURIST ARRIVALS (LIKE THE AIRPORT DEPARTURE TAX) HAVE NOT BEEN INCREASED FROM LAST YEAR. EXPECTED REVENUES FROM IMPORT DUTIES, WHICH ACCOUNT FOR HALF THE OVERALL FIGURE, HAVE BEEN INCREASED TO ANNUALIZE THE INCREASED DUTIES AND EMERGENCY TAX INSTITUTED AT THE END OF MARCH 1973. ESTIMATES FOR REVENUES RELATED TO EXPATRIATE BUSINESSES, SUCH AS COMPANY AND BANK FEES, IMMIGRATION FEES, EVEN AUTO REGISTRATION AND WATER CONNECTION FEES HAVE BEEN REDUCED FROM LAST YEAR, PROBABLY REFLECTING ACTUAL INCOME FROM THOSE ITEMS IN 1973 AS OPPOSED TO THE ORIGINAL ESTIMATES. NEW REVENUES THIS YEAR ARE EXPECTED TO COME FROM: A BUSINESS LICENSE FEE YET TO BE INSTITUTED (\$1 MILLION); HIGHER REAL PROPERTY TAXES (AN ADDITIONAL \$1.5 MILLION OVER 1973), AND RENTAL OF LAND BY THE MINISTRY OF DEVELOPMENT (\$1.7 MILLION). ONE INTERESTING FIGURE IS THAT FOR FEES FOR OIL EXPLORATION CONCESSIONS, WHICH ARE EXPECTED TO YIELD AN ADDITIONAL \$587,050 OVER LAST YEAR. (AS REPORTED IN NASSAU A-185 THERE WERE SOME INDICATIONS THAT CERTAIN OIL COMPANIES WERE NOT RENEWING THEIR CONCESSIONS).

5. COMMENT: THE GCOB IS AWARE OF THE POSSIBLE EFFECT OF THE FUEL CRISIS AND THE MINISTER HAS WARNED THAT CUTS IN GOVERNMENT EXPENDITURES MIGHT BECOME NECESSARY. ALLOWING FOR THIS, THE 1974 BUDGET APPEARS TO BE BASICALLY A REALISTIC DOCUMENT. FOR THE MOST PART THE CAPITAL EXPENDITURES FACE UP TO REAL SOCIAL NEEDS -- WATER, SCHOOLS, MEDICAL FACILITIES AND AGRICULTURAL DEVELOPMENT. LAST YEAR FUNDS FOR A DESALINATION UNIT WERE SLASHED FROM THE BUDGET. HOWEVER, UNCLASSIFIED

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FACING UP TO THE SERIOUS WATER PROBLEM CANNOT BE PUT OFF ANY LONGER AND NOW TWO SUCH UNITS APPEAR IN THE BUDGET. THOUGH THE CAPITAL EXPENDITURES WILL PROVIDE MORE OF AN ECONOMIC STIMULUS THAN LAST YEAR, IT IS STILL NOT OF SUCH A MAGNITUDE AS TO MAKE MUCH OF AN IMPACT ON THE ECONOMY.

6. ADDITIONAL DETAILS FOLLOW BY AIRGRAM.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, EXPENDITURES, CERP 0200
Control Number: n/a
Copy: SINGLE
Draft Date: 14 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NASSAU01940
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: NASSAU
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731224/aaaaarsz.tel
Line Count: 115
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: CERP 0200, NASSAU 1924
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 03 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Dec-2001 by williad>; APPROVED <21 FEB 2002 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: 1974 BAHAMAS BUDGET
TAGS: ECRP, BF
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005